BORDEN

Annual Report 1969

Contents

• Highlights

	1969	Change	1968
Net Sales	$1,740,184,687	+ 3.4%	$1,683,338,569
Income before extraordinary items	$ 47,924,992	+ 2.0%	$ 46,994,786
Extraordinary items:			
Anticipated costs and expenses in connection with facilities realignment program, less applicable income tax reduction of $40,000,000	$ (30,000,000)		—
Gain on sale of Company's headquarters building (less anticipated relocation costs), less applicable income tax of $2,800,000	$ 11,700,000		—
Losses and costs in plant closings, less applicable income tax reduction of $4,355,349	—		$ (2,772,078)
Net extraordinary items	$ (18,300,000)		$ (2,772,078)
Net income	$ 29,624,992	— 33.0%	$ 44,222,708
Per share:			
Before extraordinary items	$1.68		$1.65
Extraordinary items	(.64)		(.10)
Net income	$1.04		$1.55
Cash dividends (Borden, Inc.)	$ 33,816,088	+ 1.0%	$ 33,492,381
per share	$1.20	—	$1.20
Working capital	$ 312,464,738	+ .5%	$ 310,797,616

All figures in this Report for 1969 and 1968, except those in the Historical Summary, have been adjusted to include results of BBF, Inc., and Crystal Springs Water Company, which were acquired in poolings of interests in October and December, 1969, respectively.

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Vice President-Chemical Division

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Secretary

JOSEPH E. MADIGAN
Treasurer

JOHN S. HARKINS
General Controller

Corporate Data

EXECUTIVE OFFICES: 350 Madison Avenue, New York, N. Y. 10017

CAPITAL STOCK DATA: Transfer and Dividend Disbursing Agent, First National City Bank, 111 Wall Street, New York, N. Y. 10015; Registrar, Bankers Trust Company, 16 Wall Street, New York, N. Y. 10015; stock listed on the New York Stock Exchange.

Printed in U.S.A.

AUGUSTINE R. MARUSI

Message to Shareholders and Employees

The most significant event affecting the Company in 1969 was the approval by the board of directors of a program to realign the Company's facilities and to redeploy its assets into higher earning investments, some of which will be in new areas. This program, which recognizes changing industry trends, is designed to increase gradually both our return on investment and our growth rate of profits.

In its 113-year history, the Company has progressed through three major stages of development, its orientation shifting successively from agriculture to manufacturing to marketing. In addition to emphasizing the development of new products and market growth, we are greatly strengthening our capabilities in asset management, which simply means the conversion to cash, for more profitable reinvestment, of all idle, surplus and marginally profitable properties.

Today, management must be well rounded. It must not only be able to produce and sell, but must also be able to optimize all its resources by blending operations management with asset management. It is this total management concept which we believe offers new opportunities for growth. At the same time that we are strengthening our decentralized operating managements, we are supplementing their resources with stronger staff services and with centralized financial controls.

Although the facilities realignment and assets redeployment program will be carried out over a period of several years, losses, net of gains, and costs associated with closing down and consolidating the facilities to be affected under the program were charged to 1969 income. After a comprehensive analysis of operations, $30,000,000 after taxes was provided as a non-recurring charge. No further non-recurring charges to income are expected in the foreseeable future. By this action we have cleared away major obstacles to the Company's growth plans.

We are moving to increase rapidly our investments in higher profit and growth areas, including some new areas of interest such as our recent acquisitions of a family type, sit-down restaurant chain and a bottled-water company.

In addition to financing new investments, the assets redeployment program is providing the cash to purchase Borden stock for our treasury under a program adopted by the board of directors. These stock purchases will be used primarily to replace stock issued in acquisitions, to give maximum benefit to present shareholders.

Looking to 1970, along with other businesses we face strong inflationary pressures, tight money at record interest rates, and the likelihood of reduced purchasing power among consumers. To meet this environment we are paring expenses at every level and tightening our cost controls — without, we are confident, impairing our capacity to grow. These measures, and the efficiencies and opportunities to be realized from our facilities realignment and assets redeployment program, are expected to contribute to an improved performance in 1970.

We have made much progress in revitalizing the Company. We expect the results to be increasingly apparent as time passes. Many organizational changes, as well as policy changes, have been made. We believe these changes will make a visible contribution to profits, gradually at first but accelerating as we progress, given a reasonably stable economy.

We wish to express our appreciation for the generous efforts and support of the men and women of the Borden organization, the members of the board of directors, and the shareholders.

Chairman and President

February 24, 1970

Sources of Net Sales and Profits

	Net Sales (000 Omitted) 1969	Net Sales (000 Omitted) 1968	Profit (000 Omitted) 1969	Profit (000 Omitted) 1968
Chemical Division	$ 394,444	$ 354,611	$ 30,940	$ 32,679
Foods Division	580,268	561,148	42,988	40,832
Dairy and Services Division	765,473	767,580	29,545	31,308
Total operations	$1,740,185	$1,683,339	103,473	104,819
Other expenses not allocable to operations				
Interest expense (net)			9,131	9,197
Other			6,171	10,254
Pre-tax profit			88,171	85,368
U.S. and Canadian federal income taxes			40,246	38,373
Income before extraordinary items			47,925	46,995
Extraordinary items			18,300	2,772
Net income for the year			$ 29,625	$ 44,223

NOTE: The 1969 and 1968 figures have been restated for comparative purposes.

Sales

Sales in 1969 improved for the eleventh consecutive year, reaching an all-time high of $1,740,184,687. This was an increase of 3.4% from 1968, when sales totaled $1,683,338,569. Accounting for the improvement were higher average selling prices, primarily for some chemicals and specialty food items, which more than offset a decline in the total volume of products handled. The volume decline reflected the closing of a number of plants and the consolidation of their operations at other locations, the withdrawal from business in several markets, and a further de-emphasis of high volume, low-margin, commodity-type products.

Profits

Net income in 1969 declined from a year earlier as the result of a program of write-offs and expenses of closing and consolidating a number of manufacturing plants and distribution branches. The write-offs and expenses were charged in the third quarter, but the closings and consolidations will take place over a period of several years.

Reflecting this program, net income totaled $29,624,992, a decline of 33.0% from $44,222,708 a year earlier. Earnings per share were $1.04 on 28,504,256 average shares outstanding, compared with $1.55 on 28,506,043 average shares outstanding in 1968.

Income before extraordinary items in 1969 was $47,924,992, or $1.68 per share, up from $46,994,786, or $1.65 per share, a year earlier. The extraordinary items in 1969 reduced net income by $18,300,000, or 64 cents a share. They consisted of a non-recurring charge of $30,000,000 after taxes for estimated losses which are expected to be sustained in the facilities realignment program, and net profit of $11,700,000, after taxes and a relocation reserve, from the sale of the Company's headquarters building in New York City. In 1968, net income was reduced by extraordinary items of $2,772,078 after taxes, equal to 10 cents per share.

Profits were further adversely affected, relative to a year earlier, by a higher effective tax rate. As a result of the termination of the 7% investment tax credit, the Company's credit for 1969 was $2,550,000 less than for 1968, equivalent to 9 cents per share.

Members of the Office of the President, from left: Augustine R. Marusi, Chairman and President; Walter R. Olmstead, Executive Vice President; Eugene J. Sullivan, Executive Vice President, and Howard H. Ward, Vice President-Finance.

Profits declined slightly at the operational level, owing principally to a continuation of unfavorable conditions in the fertilizer industry, sharply higher costs throughout the dairy industry, and depressed prices for several canned vegetables, which were in over-supply as a result of bumper crops.

Dividends

A cash dividend of 30 cents per share was paid quarterly during the year for a total of $1.20 per share, the same as in 1968. The Dec. 1 dividend was the 239th consecutive payment and completed 71 years of uninterrupted dividends beginning with the Company's incorporation in 1899.

Capital Expenditures

Approximately $54,200,000 was invested in new plant and equipment for consolidated operations during 1969. Of this amount, depreciation, depletion, and amortization provided about $36,500,000. Fixed assets of $5,495,000 were also added through two business acquisitions. In addition, about $11,160,000 worth of equipment was leased.

In 1968, new plant and equipment additions, restated for poolings of interests, totaled $48,890,000. A business acquisition increased fixed assets by $1,097,000. Also, $8,400,000 worth of equipment was leased.

Company Ownership

There were 28,459,100 shares of common stock outstanding on Dec. 31, compared with 28,500,667 shares on the same date a year earlier, as restated for poolings of interests. At year end the Company had 70,994 shareholders of record, down from 71,421 on Dec. 31, 1968.

The average holding of all shareholders of record was 401 shares, against 393 shares in 1968. No individual among shareholders of record held as much as 1% of the outstanding stock.

During the year we issued 422,667 shares of common stock for businesses acquired and 48,858 shares under the Company's stock option and other plans. We purchased 90,425 shares for the Company's treasury.

Amended Certificate of Incorporation

An amended and restated Certificate of Incorporation became effective April 16 with its adoption on that date by shareholders at the Annual Meeting.

The amended and restated certificate authorizes an increase in common stock from 37 million to 60 million

shares of $3.75 par value each; authorizes the board of directors to issue in series up to 5 million shares of preferred stock, without par value, and to fix the terms and conditions of each series; authorizes the Company's subsidiaries to issue securities convertible into shares of Borden, Inc., with approval of the board of directors; eliminated pre-emptive rights of shareholders; provides for the election of the entire board of directors at each annual meeting, beginning in 1971; broadens the powers of the board of directors with respect to its size and the interim election and the suspension or removal of members; and revises the percentages of shareholder votes required to approve mergers or subsequent amendments to the certificate of incorporation.

At the annual meeting, shareholders also approved a management incentive plan, which is based on a percentage of net before-tax profits in excess of a 10% return on average capital investment (shareholders' equity, and long-term debt including long-term lease obligations). No compensation was earned under this plan for 1969, because of the extraordinary charge to income.

Management Changes

Theodore G. Montague, Jr., formerly executive vice president of the Foods Division, was appointed president of the division effective May 12, and elected a corporate vice president on June 6.

John S. Harkins, formerly deputy general controller, was elected general controller effective Dec. 1.

Changes in Board

The board of directors was reduced from 15 to 13 members as a result of an amendment of the Company's by-laws which became effective with the approval by shareholders at the Annual Meeting on April 16 of an amended and restated certificate of incorporation. A provision of the restated certificate requires annual election of directors. Under this provision, six directors were elected April 16 for one-year terms; the seven directors who continued on the board had been elected previously for three-year terms under the former certificate of incorporation. Their terms expire in 1970 and 1971.

All but one of the six directors were serving on the board at the time of their election by shareholders. Newly elected as a director was J. Frank Forster, chairman and president of Sperry Rand Corp.

Three directors did not stand for re-election. They are Harold W. Comfort, former president and chief executive officer of Borden, who had served as a director for 31 years and was named a director emeritus; Francis R. Elliott, former chairman of the board and chief executive officer of the Company, and Harry L. Archer, former vice chairman of the board of the Company.

Borden Foods

Record sales and operating profits were established by Borden Foods in 1969. Sales totaled $580,268,000, compared with $561,148,000 a year earlier. The Division accounted for 33.3% of total corporate sales, the same as in 1968. Operating profits amounted to $42,988,000, against $40,832,000 in the previous year.

Responsible for the improvement in sales was a substantial volume increase in higher-priced specialty items. Operating profits, in turn, benefited from the higher margins obtained from specialties, as well as from the withdrawal from marginal and unprofitable product areas.

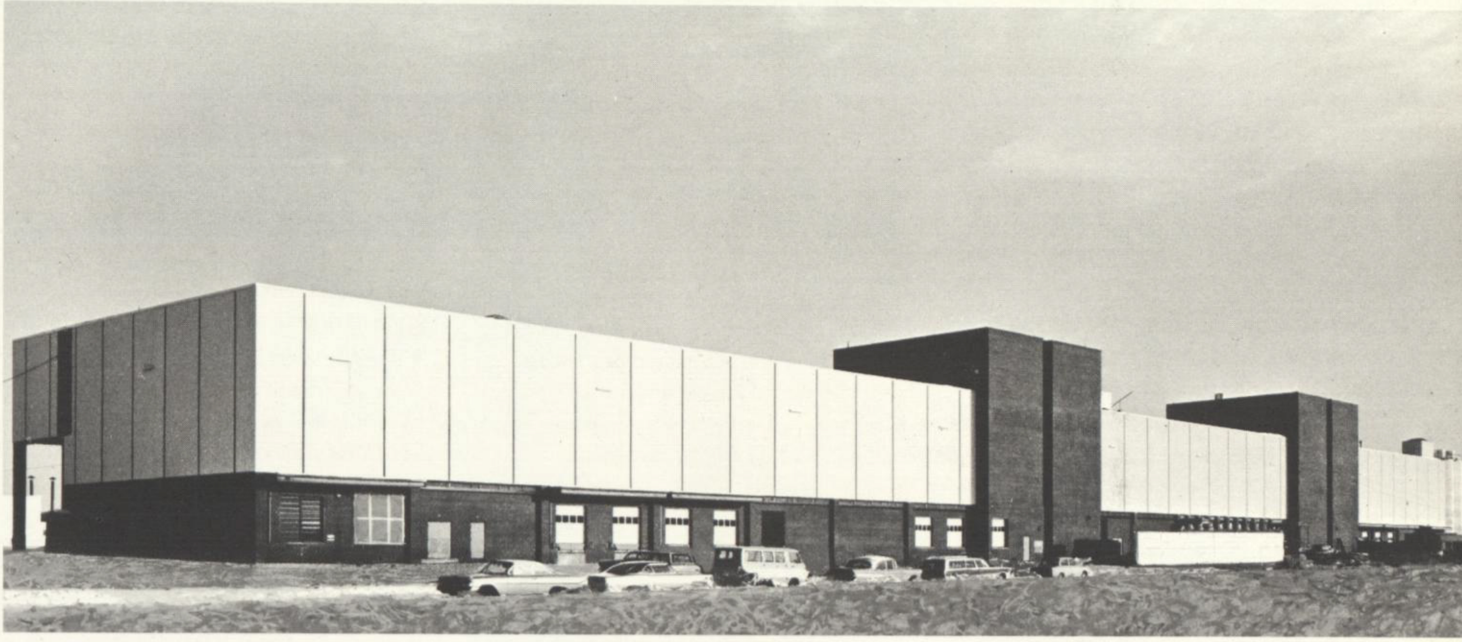
Limiting the Division's gains were depressed prices for canned beets, beans, tomato products, and certain fruit items that resulted from an over-supply of these products throughout the canning industry.

A score of new products was developed by the Division during the year; six of these were in broad distribution by year end, and the remainder were being tested on a limited basis in selected markets.

Made available nationally were a chicken vegetable soup mix and a root beer drink mix from Wyler's. Introduced in their respective marketing areas were Vanilla Yodels, a coated Swiss Roll, by Drake's; Pizza Wheels, a snack food, by Wise; Taco Chips, a seasoned tortilla chip, by Old London, and Bean Salad Italiano, a canned product, by Comstock.

Placed in selected test markets for evaluation were the following products:

Comstock Green Beans and Bacon; Flavanaise, a flavored mayonnaise in four varieties, under the Borden and Bama brands; Old London Pretzel Rings and Bacon Tasters, snack foods; Buttery Flavor Bake, a flavored coating mix; Wise Cheese



Drake Bakeries' new plant at Wayne, N.J., neared completion at year end. It is scheduled to go into operation in the Spring of 1970. Drake, a part of Borden Foods, also has a new distribution center nearing completion at Mansfield, Mass.

Chings, a snack food; and Drake's All Butter Pound Cake Jrs., in Family Pack.

Also, Smorgaskase, a soft-ripened cheese; flavored cheese dips; individually wrapped natural cheese slices; Velva-Kreme imitation cream cheese; flavored whipped potatoes; ReaLemon Jingle Jell, a canned gelatin, and Calo Select, an all-meat premium dog food.

During the year, the Division completed an expansion of manufacturing and distribution facilities for its Cracker Jack operations at Chicago, Ill.; added to shipping facilities at the Wise potato chip plant at Berwick, Pa., and doubled potato chip production capacity at St. Augustine, Fla. Four new clam dredgers were added to the fleet operated by Snow's.

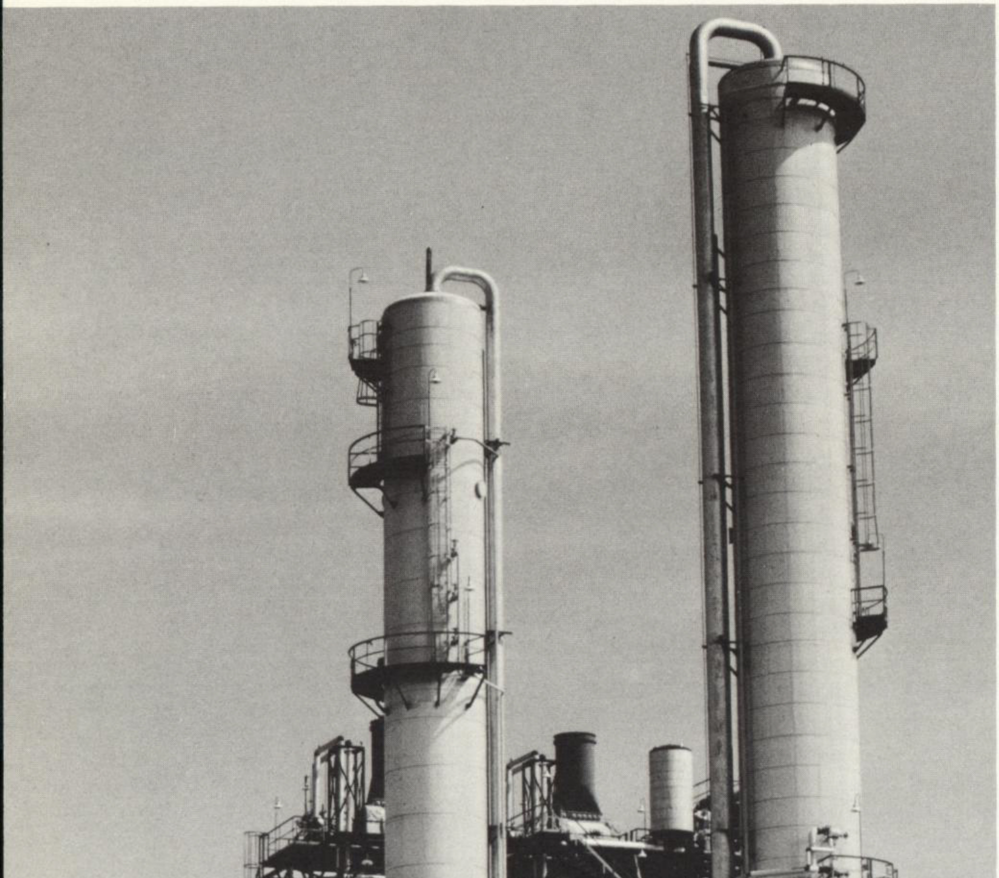
At Point Pleasant, N.J., Snow's installed the industry's first automatic, continuous clam shucker. Traditionally, this operation has been done by hand.

The Division's Can and Machinery operations installed a "turnkey" can-making and can-testing facility at Chiba, Japan, for Kawasaki Steel Corporation. Borden also trained the staff that will operate the facility, which is the first in Japan to be owned by a steel company. The unit was dedicated in December at ceremonies attended by Borden executives and representatives of the Japanese canning industry.

At year end, the Division was in the process of expanding production capacity at Van Wert, Ohio, for the manufacture of cheese slices. Nearing completion was a new manufacturing plant for Drake Bakeries at Wayne, N.J., which will go into operation during the first quarter of 1970, while a new Drake distribution center was under construction at Mansfield, Mass., near Boston; it is scheduled to open early in the second quarter of 1970.

In 1970, manufacturing and packaging facilities will be further expanded at Wise's Berwick plant. In the planning stage is a new plant in the Chicago area for Wyler's dehydrated soups and beverages.

Under the company's facilities realignment and assets redeployment program, the Division closed its manufacturing plant for disposable diapers at Bound Brook, N.J., and its Caussé candied fruit operations at Lake Wales, Fla. Malted milk processing was discontinued at Waukesha, Wisc., and the operations were consolidated at Newport, N.Y. A continuing, industry-wide downward trend in evaporated milk sales led to the closing of condensery operations at Chester, S.C. The plant is being converted to the manufacture of other products of the Division.



Expansion during 1969 of Borden Chemical's methanol plant at Geismar, La., increased capacity to 1,600 tons per day. The Division also enlarged seven other facilities and brought four new plants on stream during the year.

Borden Chemical

Borden Chemical attained record sales in 1969 but operating profits declined from a year earlier. Sales were $394,444,000, or 22.7% of the corporate total, up from $354,611,000 in 1968, when they accounted for 21.1% of Company sales. Operating profits amounted to $30,940,000, compared with $32,679,000 in the previous year. The principal factor adversely affecting profit performance was the continuation of unfavorable conditions in the fertilizer industry. Production capacity again substantially exceeded domestic and export demand and selling prices fell to record-low levels in relation to the cost of goods. There was some recovery in prices at year end, and a continuation of this trend would indicate improved conditions within the industry in 1970. The Division's fertilizer operations should also benefit from the closing and consolidation of several plants as part of the Company's facilities realignment and assets redeployment program.

Cushioning the effect of this adverse factor was the response of the Division's other principal operations to favorable conditions within the industries they serve. Sales of vinyl wallcoverings for both consumer and commercial applications rose sharply, reflecting a pronounced trend toward patterned wall decoration. A new and complete line of wallcovering material, simulating all the most popular wood veneers in appearance, was introduced in more than 50 colorings. More extensive use of vinyl in automobiles, for Landau topping and interior trim, further bolstered sales of the product.

The Division maintained its position as the leading supplier of polyvinyl

chloride (PVC) film for in-store packaging of meats and produce. New formulations of film for the automatic and semi-automatic wrapping of meats and produce were marketed.

PVC also gained greater acceptance in the manufacture of blow-molded bottles for food use, and for other packaging where a clear bottle is required. Specialty compounds for these applications were developed.

Sales of graphic arts materials improved substantially, aided by increased productive capacity and the development of new formulations for specialized applications. A major breakthrough in printing inks, opening an important new market, was the development of a moisture-vapor barrier system for cartons used in the packaging of hygroscopic materials, such as soap powders and detergents.

In another industrial area, the development and marketing of new resins for the metal casting industry resulted in a significant increase in sales of these materials, and a surge in business by the paper industry was reflected in substantially improved sales of styrene/butadiene latex, which is used as a binder in paper coatings.

To exploit the fast-growing market for disposable products in the food service industry, an institutional products department was formed during the year. The department provides PVC food wrap, table coverings, food storage bags, trash can liners, gloves, aprons, and similar disposables to hotels, airlines, restaurants, hospitals, schools, and industrial caterers.

In an organizational move designed to exploit growth opportunities at the operating level, New Ventures departments were established within the Columbus Coated Fabrics and Resinite operations. Their function is to investigate market opportunities and initiate entry into new operations related to their current business. New Ventures departments will be established gradually within other operations of the Division.

The Division's consumer lines were expanded during the year with the introduction of Krylon Metal Flake Spray Finish, a decorative coating for automobiles, motorcycles, and bicycles, and three products under the "Elmer's" trade name: rubber cement, rubber cement thinner, and fabric cement. The rubber cement and thinner were also made available under the Krylon brand for commercial graphic arts use.

During 1969 the Division completed four new plants and substantially expanded eight existing facilities. At year end six installations were undergoing expansion, with all but one of the projects scheduled for completion in 1970.

The Division's twelfth ink plant in the United States went into operation at St. Charles, Ill., 50 miles from Chicago, and its ninth domestic formaldehyde plant was started up at Diboll, Tex. At Middlesex, N.J., a plant for manufacturing hot-melt adhesives began production in July, and in November a plant to make ethylene-vinyl acetate copolymer emulsions, which are used in paints, adhesives, and textiles, was completed at Leominster, Mass.

At the petrochemical complex at Geismar, La., acetic acid capacity was increased to 100 million pounds per year; methanol capacity, to 1,600 tons per day, and urea capacity, to 550 tons per day with the completion of added facilities. Rated output of PVC film was increased at North Andover, Mass., and doubled at Compton, Calif., upon the installation of new equipment. Capacity of the phenol- and urea-formaldehyde resins plant at Springfield, Ore., was increased by 33 million pounds annually.

New injection molding machines were installed at the Lustro-ware plant at Columbus, Ohio, making possible the manufacture of larger-size plastic household items, and additional equipment was installed at Orangeburg, N.Y., for the manufacture and imprinting of bags made from plastic film.

Major expansion of facilities is underway for styrene/butadiene emulsions at Illiopolis, Ill., and Leominster. Under a long-term project that will lead to a doubling of capacity, a further expansion of Mystik pressure-sensitive tapes is in process at Northfield, Ill.

As part of the company's facilities realignment program, a plant at Worthington, Ohio, producing foam cups, was closed, and three agricultural operations were consolidated: a fertilizer plant at Indianapolis, Ind., and sulphuric acid and phosphoric acid plants at Texas City, Tex. A mixed fertilizer plant at Albert Lea, Minn., is in the process of being shut down.

In 1970, the Division will construct formaldehyde and resins plants at Missoula, Mont., and Louisville, Ky. The Division also plans to add another new product to the output of its petrochemical complex at Geismar, with the installation of facilities for the production of dimethyl ether; completion is scheduled for late in the year. Expansion of vinyl wallcovering production is planned at Columbus, Ohio, with completion slated for early in 1971.

Borden Dairy and Services

Borden Dairy and Services experienced a decline in dollar and volume sales and operating profits from a year earlier.

Sales totaled $765,473,000 or 44.0% of the corporate total, down from $767,580,000 in 1968, when they accounted for 45.6% of Company sales. Operating profits were $29,545,000, compared with $31,308,000 in the previous year. Sales and operating profits for both years include results of two companies acquired by Borden in 1969 in poolings of interests.

The Division felt the effects of adverse conditions that were prevalent throughout the industry. Costs were up sharply, particularly for labor but for raw materials and supplies as well. Selling prices for the industry's basic dairy products—homogenized milk and standard ice cream—could not be lifted to realistic levels in some principal markets because of highly competitive conditions, which were heightened by the entry of several major grocery chains into milk processing and ice cream manufacture to supply their own private label requirements. Profit margins for basic products were squeezed as a result.

Profitability is expected to improve owing to the concentration of milk and ice cream operations in more favorable markets, greater emphasis on higher-margin dairy specialties, and diversification into new areas of business.

Sales of specialties improved substantially. Behind the upturn were a stepped-up promotional effort and expansion of distribution, including direct warehouse delivery in several markets and a more extensive use of brokers that enabled entry into areas not previously served by the Division. Distribution of Lite Line milk, a low-fat product with more protein than regular milk, was extended to all the Division's fluid milk markets during the year, as was a line of Thirstee Smash fruit drinks in several flavors. Lite Line had been introduced on a test basis in 1968. The marketing of Swiss Style yogurt, one of the Division's most successful new products, was expanded to 11 new areas in nine states, including Virginia and Utah, where the Division was not previously represented.

Lite Line ice milk was introduced in the Division's Northeastern, Southern, and Midwestern markets, including the Chicago Metropolitan Area, which together account for well over half the Division's total sales volume. Lite Line low-fat cottage cheese was marketed in three additional states.

BBF, Inc., was acquired by Borden in 1969 and its operations were assigned to the Dairy and Services Division. BBF, headquartered in Columbus, Ohio, at year end was operating 51 family-type, sit-down restaurants in Ohio, Kentucky, and West Virginia.

A promising new line of frozen novelties, under the name Elsie Stix, was placed on sale throughout Florida. In Elsie Stix, the conventional wooden sticks used in frozen novelties are replaced by colorful, open-patterned plastic sticks. The plastic sticks can be easily interlocked to create a variety of structural designs. Reception of Elsie Stix by the trade and by consumers has been highly favorable, and the product line will be extended to other areas during 1970.

To meet the growing demand for yogurt, and to improve the efficiency of distribution, the Division during the year increased its production facilities for the product.

Adding significance to the "services" aspect of its activities, the Division entered two totally new areas of business with the Company's acquisition late in 1969 of BBF, Inc., a fast-food restaurant chain, and Crystal Springs Water Company, a distributor of bottled water. BBF, headquartered in Columbus, Ohio, at year end had 51 limited-menu, sit-down restaurants operating in Ohio, West Virginia, and Kentucky. All units are Borden-owned. Operations of BBF will be substantially enlarged, by expansion in its present area and extension to other parts of the country.

Crystal Springs, based in Miami, Fla., bottles drinking water that is distributed in Florida, Alabama, and the Caribbean. In view of the public's growing awareness of water pollution problems, an increasing demand throughout the country for pure packaged water is anticipated, and expansion of Crystal Springs' business is being undertaken to capitalize on these opportunities.

Under the Company's facilities realignment and assets redeployment program, the Division during the latter part of the year closed two facilities—an ice cream plant in New York City and a milk and ice cream distribution branch in Utica, N.Y.—and consolidated at other locations minor dairy operations formerly conducted at 13 plants in seven states. Early in 1970 the Division withdrew from the milk business in the New York Metropolitan Area because of unfavorable market conditions, closing its processing plant at Ozone Park, N.Y.

Also as part of the assets redeployment program, the Division in mid-February, 1970, announced that it would terminate operations of its five dairy plants in Northern California, and the 13 distribution branches served by them, because of unfavorable local economic conditions and marginal profitability. The facilities involved are fluid milk processing plants at San Francisco, Sacramento, and Fresno; an ice cream manufacturing plant at Modesto, and a cottage cheese and yogurt processing plant at Gustine.

The Company's six food manufacturing plants and seven chemical manufacturing plants in California are not affected by the assets redeployment program.

The efficiencies resulting from plant consolidations will enable the Division to compete more vigorously and profitably in the milk and ice cream business, and expansion of activities will be undertaken in those markets offering the greatest potential.

Borden Inc. International

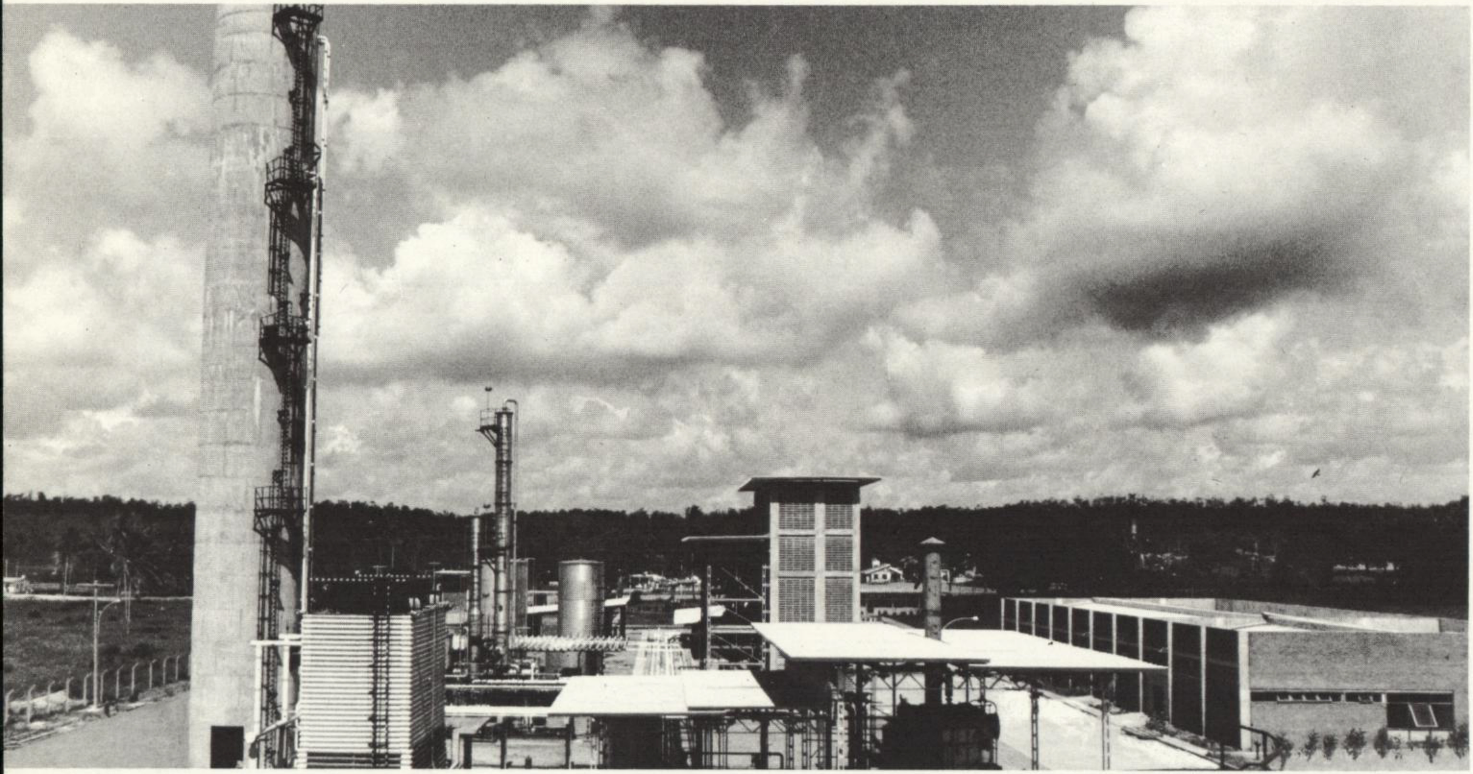
The Company's unconsolidated manufacturing operations abroad, which are the responsibility of Borden Inc. International, experienced their most successful year to date in 1969. Sales and operating profits were above the record levels of a year earlier.

Also improving from the previous year were export sales, which are the responsibility of Borden Inc. International but which, along with export profits, are consolidated with the results of the Foods and Chemical Divisions.

The international foods group's sales benefited from the strong demand for consumer goods that prevailed in all Borden markets overseas; from the introduction of several new products, and from the availability for the full year of three new manufacturing facilities that had been placed in operation during the latter part of 1968.

The chemicals group's sales were aided by a firm petrochemical market, added productive capacity for a number of its products, and expansion of its consumer lines in several countries. A household food wrap, made from Resinite PVC film, was marketed in Mexico, and a line of colored glues for home and school use was introduced in Argentina and Colombia.

Sales of Borden unconsolidated subsidiaries overseas rose to $165,712,260 from $151,883,516 in 1968, an increase of 9.1%. The Company's equity in their income before an extraordinary item was $8,534,227, up 6.6% from $8,003,078 a year earlier. Equity in net income for 1969 was reduced to $4,384,227



A new formaldehyde plant and a new resins plant were placed in operation at Recife, Brazil, by Borden Inc. International. They were among four chemical projects completed by the Division in 1969. The plants have annual capacities of 7,000 tons and 2,500 tons, respectively.

by an extraordinary charge of $4,150,000, representing a special provision for losses and other incidental costs that may be realized in the disposal of unprofitable Borden Puerto Rico Dairy, Inc.

To minimize foreign exchange risks, and to comply with U.S. Department of Commerce regulations, foreign dividends were increased in 1969. In some instances, this necessitated local borrowing, which increased interest expense.

After applicable U.S. income taxes, dividends paid to Borden, Inc., by these subsidiaries and included in its net income were $5,182,947, compared with $3,301,479 in the previous year. At year end, Borden equity in net assets exceeded investments and advances by $36,795,588.

The unconsolidated operations abroad obtained approximately $4,831,000 worth of new plant and equipment during 1969, including leased equipment valued at $412,000. In the previous year, they obtained approximately $8,761,000 worth, of which $786,000 was the value of leased equipment.

The Division's annual productive capacity was substantially enlarged during the year with the completion of four major chemical projects. A new formaldehyde plant with a capacity of 7,000 tons per year, and a new resins plant with a capacity of 2,500 tons per year, went into production at Recife, Brazil, in July. Facilities were added at Gjoevik, Norway, for the production of biaxially oriented ("two-way-stretch") PVC packaging film; they went into production in September. The output of pressure-sensitive industrial tapes at São Paulo, Brazil, was expanded with the completion of new facilities in November.

A unit to produce hexamethylenetetramine, which is used as a curing agent in resins, began start-up operations at Melbourne, Australia, in January, 1970, and additional capacity for PVC film is being added at Southampton, England, with start-up scheduled for mid-1970. An expansion of formaldehyde production will get under way early in 1970, at Pilar, Argentina, that will add 9,000 tons to annual capacity at that location, with operation slated for late in the year.

During 1969, Borden joined with local interests and the New Zealand Dairy Board to form Trinidad Processing Company Limited, which completed a whole milk powder packaging plant at Port of Spain. Borden Klim, imported in bulk from the Division's milk powder operations in Ireland, is packaged at the plant for distribution in Trinidad and Tobago.

• Statement of Income and Retained Earnings

	Year Ended December 31 1969	1968
Net sales	$1,740,184,687	$1,683,338,569
Other income	16,245,547	12,036,452
(Includes interest and dividends—1969, $10,933,670; 1968, $9,119,796)		
Total	1,756,430,234	1,695,375,021
Less		
Cost of goods sold	1,431,140,248	1,385,836,768
Selling, general and administrative expenses and other charges	223,840,454	211,873,550
Interest expense	13,278,803	12,297,044
U.S. and Canadian federal income taxes — Note 5	40,245,737	38,372,873
Total	1,708,505,242	1,648,380,235
Income before extraordinary items	47,924,992	46,994,786
Extraordinary items		
Anticipated costs and expenses in connection with facilities realignment program, less applicable income tax reduction of $40,000,000 — Note 6	(30,000,000)	—
Gain on sale of Company's headquarters building (less anticipated relocation costs), less applicable income tax of $2,800,000	11,700,000	—
Losses and costs in plant closings, less applicable income tax reduction of $4,355,349	—	(2,772,078)
Total	(18,300,000)	(2,772,078)
Net income for the year	29,624,992	44,222,708
Retained earnings at beginning of year	334,470,478	323,740,676
Total	364,095,470	367,963,384
Dividends paid		
Borden, Inc. ($1.20 a share in each year)	33,816,088	33,492,381
Pooled company, prior to combination	—	525
Total	33,816,088	33,492,906
Retained earnings at end of year	$ 330,279,382	$ 334,470,478
Average number of shares of common stock outstanding during year	28,504,256	28,506,043
Per share — Note 4		
Income before extraordinary items	$1.68	$1.65
Extraordinary items	(.64)	(.10)
Net income	$1.04	$1.55

See pages 17 and 18 for Notes to Financial Statements.

• Balance Sheet

Assets	December 31 1969	1968
Current Assets		
Cash (including time deposits)	$ 63,414,483	$ 48,016,383
U.S. Government and other marketable securities (at cost which approximates market)	25,242,252	34,631,379
Receivables	177,960,656	160,471,293
Inventories (at lower of cost or market)		
Finished and in-process goods	160,066,995	149,718,789
Materials and supplies	61,191,549	59,754,599
Total Current Assets	487,875,935	452,592,443
Other Assets		
Investments and advances (at cost)		
Foreign subsidiary companies	20,191,232	20,266,026
Domestic associated companies	4,116,191	4,151,831
Mortgages, receivables, etc.	29,212,142	13,117,869
Total Other Assets	53,519,565	37,535,726
Property and Equipment (at cost)		
Land	26,902,892	28,251,750
Buildings	179,301,058	179,157,950
Machinery, equipment, etc. — Note 2	460,883,055	452,626,902
Total Property and Equipment	667,087,005	660,036,602
Less accumulated depreciation — Notes 6 and 7	268,708,046	255,567,030
Net Property and Equipment	398,378,959	404,469,572
Deferred Charges	13,314,979	13,825,228
Intangibles	115,495,351	119,970,183
Total	$1,068,584,789	$1,028,393,152

See pages 17 and 18 for Notes to Financial Statements.

Liabilities and Stockholders' Equity	December 31 1969	1968
Current Liabilities		
Payables and accrued liabilities	$ 165,310,753	$ 128,285,774
Accrued taxes	10,100,444	13,509,053
Total Current Liabilities	175,411,197	141,794,827
Long-Term Debt — Note 2	215,677,653	229,838,737
Reserves		
Deferred federal income taxes — Note 5	19,786,630	35,412,786
Facilities realignment and relocation — Note 6	44,209,336	—
Insurance	4,996,577	7,288,440
Total Reserves	68,992,543	42,701,226
Stockholders' Equity — Note 3		
Capital Stock		
Preferred stock — no par value		
Authorized 5,000,000 shares Issued — none		
Common stock — $3.75 par value Authorized 60,000,000 shares		
Issued, 1969 — 28,794,306 shares 1968 — 28,745,448 shares	107,978,648	107,795,430
Paid-in capital	181,632,337	180,803,840
Retained earnings	330,279,382	334,470,478
	619,890,367	623,069,748
Less treasury common stock at cost — 335,206 shares in 1969, and 244,781 shares in 1968	11,386,971	9,011,386
Total Stockholders' Equity	608,503,396	614,058,362
Total	$1,068,584,789	$1,028,393,152

Statement of Source and Application of Funds

	Year Ended December 31 1969	1968
Source:		
Income before extraordinary items	$ 47,924,992	$46,994,786
Extraordinary items — net of taxes	(18,300,000)	(2,772,078)
Depreciation, depletion and amortization	36,512,680	33,845,379
Property disposals net of accumulated depreciation, etc.	23,746,675	10,911,771
Net increase in reserves and other	26,894,126	1,075,610
Proceeds from common stock issued under stock option plans	919,152	652,043
	$117,697,625	$90,707,511
Application:		
Cash dividends	33,816,088	33,492,906
Additions to property and equipment	54,168,739	48,890,388
Common stock purchased for treasury	2,375,585	2,531,230
Reduction in long-term debt	14,161,084	12,654,434
Net increase (decrease) in intangibles	(4,474,832)	947,627
Net increase (decrease) in other assets	15,983,839	836,845
Increase (decrease) in working capital	1,667,122	(8,645,919)
	$117,697,625	$90,707,511

See pages 17 and 18 for Notes to Financial Statements.

• Notes to Financial Statements

(1) PRINCIPLES OF CONSOLIDATION: The consolidated financial statements include all significant domestic subsidiaries and all Canadian subsidiaries. Net current assets of the Canadian subsidiaries have been translated at the rate of exchange prevailing at year end; other assets and liabilities at rates as of dates of origin; and net income items (other than depreciation) at the rate of exchange prevailing at the end of each month.

During 1969, the Company acquired BBF, Inc. and Crystal Springs Water Company and affiliates in exchange for 422,667 shares of its common stock. These combinations have been accounted for as poolings of interests, and accordingly the accompanying consolidated financial statements for 1969 and 1968 include the accounts of the combined companies.

On page 19 appears financial information concerning foreign subsidiaries not consolidated and dividends received from them by the Company.

(2) LONG-TERM DEBT: Obligations were outstanding at December 31, 1969, as follows:

	Long-Term	*Due Within One Year*
Sinking fund debentures:		
2⅞%, due 1981	$ 33,741,000	$ —
4⅜%, due 1991	38,000,000	—
5¾%, due 1997	75,000,000	—
Promissory notes:		
6½%, due 1972	3,652,968	—
Other	829,500	86,000
Assumed from acquired companies:		
5⅜%, due 1981	8,500,000	800,000
Other	4,517,477	785,023
Principal amount of capitalized leases	51,436,708	10,488,251
	$215,677,653	$12,159,274

The aggregate balance of maturities of the notes and the related sinking fund requirements on the debentures payable in each year 1971 through 1974 are as follows: 1971, $1,597,760; 1972, $5,098,365; 1973, $3,899,240; and 1974, $4,492,309.

Certain equipment for which the Company has entered into lease arrangements is accounted for as purchased equipment. Such arrangements require payment in annual amounts of approximately $13,600,000 (inclusive of interest) for equipment which was operational at December 31, 1969. Payments will be required in annual amounts of approximately $74,000 for equipment in process of installation when such equipment becomes operational.

(3) CAPITAL STOCK AND PAID-IN CAPITAL: During 1969 the Company's authorized capital was increased through the authorization of 5,000,000 shares of preferred stock without par value, with the preferences to be established by the Board of Directors, and an increase in the authorized common stock from 37,000,000 to 60,000,000 shares while eliminating the pre-emptive rights.

Effective January 1, 1969, the Company adopted the practice of carrying treasury stock at cost and deducting the amount thereof from the aggregate of capital stock, paid-in capital, and retained earnings, as contrasted with the previous practice of reducing capital stock and paid-in capital for their respective applicable portions of the cost of the treasury stock. This change had no effect on total stockholders' equity. Changes in issued common stock and paid-in capital during the year are summarized below:

	Shares	*Paid-In Capital*
Balance at December 31, 1968 — as previously reported	28,078,000	$173,838,245
1969 poolings of interests	422,667	(1,127,862)
Establishment of treasury shares at cost	244,781	8,093,457
Balance at December 31, 1968 — as restated	28,745,448	180,803,840
Exercise of stock options, etc.	48,858	735,935
Adjustments of prior year poolings	—	92,562
Balance at December 31, 1969	28,794,306	$181,632,337

As of January 1, 1969, 302,357 shares of common stock of the Company were reserved for unexercised stock options. During 1969, 48,517 shares were purchased by optionees, options for 36,277 shares were cancelled and options for a total of 18,000 shares were granted under the 1967 Stock Option Plan, leaving 235,563 shares reserved for unexercised options as of December 31, 1969. Effective January 1970, options to purchase 10,000 shares were cancelled, whereby 60,000 shares were available for future grants.

(4) EARNINGS PER SHARE: Earnings per share amounts shown on the accompanying consolidated Statement of Income and Retained Earnings have been computed based on the weighted average number of shares of common stock outstanding during the respective years, after giving full retroactivity to the shares issued in poolings of interests. Outstanding stock options have been disregarded in these computations, since their inclusion (when dilutive) would have no appreciable effect on the per share computations.

(5) FEDERAL INCOME TAXES: The Company follows the practice of recognizing the tax effects of a transaction in the year in which it enters into the determination of net income, regardless of when it is recognized for tax purposes. Accordingly federal income tax expense for 1969 (including amounts applicable to extraordinary items) included in the accompanying consolidated Statement of Income and Retained Earnings is $15,300,000 less than the related amounts payable for the year. The principal causes for the difference are (a) the recognition in 1969 of the total tax benefits of the losses and expenses associated with the facilities realignment program (although a portion of such tax benefits will not be realized for tax purposes until years subsequent to 1969), less (b) the additional deductions available for tax purposes in 1969 through the use of accelerated methods of depreciation for tax purposes. The accumulated differences between taxes recognized for financial reporting purposes and those payable to date are shown as deferred federal income taxes in the accompanying consolidated Balance Sheet.

Investment credits, amounting to $1,750,000 for 1969 and $4,300,000 for 1968, have been applied in the accompanying financial statements as reductions in federal income tax expense.

(6) FACILITIES REALIGNMENT PROGRAM: As described in the accompanying Message to Shareholders and Employees and other Annual Report comments, the Company adopted during 1969 a program to realign its facilities and to redeploy its assets. The anticipated losses, net of gains, and costs associated with the program, less the related income tax benefits, are shown as an extraordinary charge in the accompanying consolidated Statement of Income and Retained Earnings. The reserves created by this charge, less subsequent actual losses and costs associated with the program, are included in the accompanying consolidated Balance Sheet as reductions of property and other non-current assets to the extent that they represent anticipated losses on such assets, and as a liability reserve to the extent they represent anticipated future costs and expenses. The anticipated related tax benefits have been applied as reductions of accrued current taxes to the extent that the related losses and expenses have been realized for tax purposes, with the remainder included in deferred federal income taxes.

(7) DEPRECIATION, DEPLETION, AND RENTALS: Depreciation, depletion, and amortization of property and equipment charged to operations amounted to $36,512,680 for 1969 and $33,845,379 for 1968. In general, depreciation is recorded in the accounts of the Company over the estimated useful lives of the assets on a "straight-line" basis. Rentals (excluding payments on capitalized leases) amounted to approximately $17,186,000, of which $5,446,000 was related to long-term leases that had initial lease periods generally from eight to ten years.

(8) RETIREMENT PLANS: The charges to operations under the Company's retirement plans, which cover those employees who are not members of collective bargaining units as well as certain employees who are members of such units, were $7,157,000 in 1969 and $7,222,000 in 1968 (including amortization of prior service costs over a 30-year period). The Company's policy is to fund amounts equal to pension costs accrued. The actuarially computed value of vested benefits under the plans as of April 1, 1969 exceeded the total pension funds and balance sheet accruals by approximately $18,390,000. Operations were charged approximately $4,180,000 in 1969 and $4,296,000 in 1968, consisting of payments to pension trusts on behalf of certain employees covered by collective bargaining units who have not elected to participate in the Company's plans, and of retirement allowances paid to former employees under arrangements in effect prior to the inception of the present plans.

(9) CONTINGENCIES: The Company was guarantor of loans aggregating approximately $35,900,000 at December 31, 1969, of which $19,800,000 represented the Company's portion of guarantees of loans payable by domestic associated companies.

Accountants' Opinion

HASKINS & SELLS
Certified Public Accountants
TWO BROADWAY
NEW YORK, N.Y. 10004

TO THE SHAREHOLDERS
AND BOARD OF DIRECTORS OF BORDEN, INC.:

We have examined the consolidated balance sheet of Borden, Inc. and Consolidated Subsidiaries as of December 31, 1969 and the related consolidated statements of income and retained earnings and of source and application of funds for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated financial statements present fairly the financial position of the companies at December 31, 1969 and the results of their operations and the source and application of their funds for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Haskins & Sells

February 24, 1970

• Foreign Subsidiaries Not Consolidated

Combined Balance Sheet	December 31 1969	1968
Current assets	$ 64,876,950	$ 58,793,762
Investments and advances		
50% owned companies—cost plus equity in undistributed income	14,251,439	13,356,105
Other	2,427,999	2,920,972
Property and equipment (less accumulated depreciation)	33,768,955	36,016,083
Deferred charges	2,655,500	3,554,028
Intangibles	439,902	1,215,969
Total Assets	118,420,745	115,856,919
Current liabilities	38,290,638	35,434,327
Long-term debt	9,702,689	10,092,050
Reserves	2,431,771	1,180,599
Liabilities and Reserves	50,425,098	46,706,976
Net assets	67,995,647	69,149,943
Less minority interest	11,008,827	9,993,532
Company's Equity in Net Assets	$ 56,986,820	$ 59,156,411

Combined Statement of Income	Year Ended December 31 1969	1968
Net sales	$165,712,260	$151,883,516
Share of net income—50% owned companies	1,083,356	713,758
Other income	4,188,269	3,967,983
Total	170,983,885	156,565,257
Less		
Cost of goods sold	124,149,721	112,826,097
Selling, general and administrative expenses and other charges	29,332,489	26,701,925
Interest expense	2,489,119	2,117,477
Total	155,971,329	141,645,499
Income before foreign income taxes, minority interest and extraordinary item	15,012,556	14,919,758
Less		
Foreign income taxes	5,297,633	5,588,321
Minority interest	1,180,696	1,328,359
Total	6,478,329	6,916,680
Company's Equity in Income Before Extraordinary Item	8,534,227	8,003,078
Less		
Extraordinary item (loss and incidental costs relating to disposal of a subsidiary)	4,150,000	—
Company's Equity in Net Income	$ 4,384,227	$ 8,003,078
Dividends to the Company	$ 6,479,024	$ 4,431,774
Less U.S. income tax applicable thereto	1,296,077	1,130,295
Remainder Included in Company's Net Income	$ 5,182,947	$ 3,301,479

The above combinations include the financial statements of all majority-owned foreign subsidiaries. The various foreign currencies have been translated generally into their U. S. dollar equivalent in accordance with the practice for Canadian subsidiaries referred to in Note 1 in the Notes to Financial Statements on page 17. The Company's portion of the unrealized exchange loss, included above in other charges, was $725,047 for 1969 and $1,026,032 for 1968.

• Ten Year Historical Summary*

Operating (thousands of dollars — except per sales dollar and per share statistics)

For the Year	Net Sales	Payrolls	Taxes (U.S. & Canadian Federal Income)	Depreciation, Depletion, and Amortization	Net Income	Net Income Per Sales Dollar	Net Income Per Share**	Cash Dividends	Cash Dividends Per Share**
1969	$1,740,185	$304,339	$40,246	$36,513	$29,625†	1.70¢	$1.04†	$33,816	$1.20
1968	$1,669,405	$291,013	$38,150	$33,391	$43,834†	2.63¢	$1.56†	$33,492	$1.20
1967	$1,588,426	$273,123	$35,098	$32,099	$55,301	3.48¢	$2.00	$33,187	$1.20
1966	$1,545,510	$263,817	$38,397	$28,449	$57,660	3.73¢	$2.16	$31,978	$1.20
1965	$1,385,518	$240,832	$36,086	$25,814	$50,912	3.67¢	$2.03	$27,493	$1.09½
1964	$1,293,439	$231,975	$35,937	$24,796	$45,486	3.52¢	$1.87	$22,377	$1.00
1963	$1,118,875	$201,640	$30,614	$19,948	$35,093	3.14¢	$1.62	$19,107	$ .88¾
1962	$1,047,902	$193,460	$29,110	$17,846	$32,354	3.09¢	$1.53	$17,998	$ .85
1961	$1,009,665	$191,863	$28,631	$17,448	$30,082	2.98¢	$1.42	$15,451	$ .75
1960	$ 956,014	$182,732	$24,405	$15,017	$26,856	2.81¢	$1.36	$14,857	$ .75

Financial (thousands of dollars)

As of Dec. 31	Working Capital	Current Ratio***	Inventories	Property and Equipment	Accumulated Depreciation	Net Property and Equipment	Long-Term Debt	Stockholders' Equity	Other: Stockholders of Record at Year End	Other: Average Number of Employees
1969	$312,465	2.78:1	$221,259	$667,087	$268,708	$398,379	$215,678	$608,503	70,994	38,922
1968	$312,471	3.25:1	$209,124	$654,541	$253,897	$400,644	$228,963	$612,479	71,421	39,819
1967	$320,065	3.42:1	$187,961	$635,892	$243,424	$392,468	$241,431	$599,613	74,505	39,225
1966	$232,183	2.60:1	$171,644	$591,606	$225,281	$366,325	$158,526	$570,539	70,853	39,654
1965	$227,846	2.86:1	$140,463	$481,507	$204,959	$276,548	$102,290	$498,339	55,392	37,045
1964	$199,584	2.70:1	$129,865	$452,170	$193,670	$258,500	$102,650	$427,746	51,280	36,024
1963	$172,632	2.81:1	$102,097	$382,445	$162,986	$219,459	$ 92,750	$336,869	48,566	32,051
1962	$165,068	2.97:1	$ 93,373	$367,284	$158,626	$208,657	$ 94,800	$305,920	48,919	30,994
1961	$177,314	3.13:1	$ 85,639	$348,388	$154,171	$194,217	$ 96,100	$294,125	49,524	32,128
1960	$126,206	3.08:1	$ 74,527	$316,910	$143,639	$173,271	$ 47,150	$260,626	48,954	31,944

*The summary has not been restated for the prior years to include the financial and operating data of companies acquired in poolings of interests.

**Adjusted for 2-for-1 stock split in 1965.

***Ratio of current assets to current liabilities.

† Income before extraordinary items was $47,924,992 ($1.68 per share) and $46,994,786 ($1.65 per share) in 1969 and 1968, respectively.

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ANNUAL REPORT